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House of Representatives

The House was not in session today. Its next meeting will be held on Wednesday, September 6, 1995, at 12 noon.

Senate

MONDAY, AUGUST 7, 1995

(Legislative day of Monday, July 10, 1995)

The Senate met at 9 a.m., on the expiration of the recess, and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Let us pray:

Almighty God, You have blessed this Nation so bountifully. You have lavished Your love in natural resources and expressed Your providential care in the creation of a nation where we believe all are created equal and given the rights of life, liberty, and the pursuit of happiness.

Today, we regretfully acknowledge that Your glorious intention for this Nation is debilitated for many who are caught in the syndrome of poverty, disadvantage, and disability. In Your Word You consistently call those who believe in You to reach out to the poor and those who suffer. But Lord, You know there is sharp division on how to implement Your admonition.

As this Senate considers welfare reform measures, we ask for Your wisdom to discern how best to care for those in need. Help us to listen for the echo of Your truth as Senators speak from the several different approaches to the role of government in welfare programs. May what is done be more than a hand out, but a hand up to lift people from the vicious cycle of poverty or a life of habitual dependence on government. Show us the most creative balance of responsibility between the Federal Government and the States.

Lord, we believe there is a workable solution for the future, and that during the hours of discussion and debate, You will guide the Senators to a way to unite in creative legislation. To this end we commit our work this week. Amen.

RESERVATION OF LEADER TIME

The PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The PRESIDING OFFICER (Mr. THOMAS). Under the previous order, there will now be a period for the transaction of morning business not to extend beyond the hour of 10:30 a.m., with Senators permitted to speak therein for not to exceed 5 minutes each.

The Senator from Tennessee [Mr. Frist] is recognized to speak for up to 60 minutes.

SCHEDULE

Mr. FRIST. Mr. President, this morning, the leader time has been reserved and there will be a period for morning business until the hour of 10:30. At 10:30, the Senate will resume consideration of the welfare bill.

The majority leader has stated that rollcall votes can be expected during today's session but will not occur prior to the hour of 4:30 this afternoon. All Senators should be aware that the cloture vote on the Department of Defense authorization bill has been postponed to a later time to be determined by the majority leader, if that vote is necessary.

It is the hope of Senator DOLE to complete action on the Department of Defense authorization during today's session, as well as to make progress on the welfare bill.

PRESERVE MEDICARE

Mr. FRIST. Mr. President, over the next hour, a number of Senators will be presenting a very simple message. That message is that we, together, must work to save Medicare for the current generation, to strengthen it for all future generations, and to simplify it for everyone to make it easier to use and easier to understand.

I now turn to the Senator from New Mexico to make an opening statement on our efforts to preserve Medicare.

Mr. DOMENICI. Mr. President, this morning I want to continue our Medicare discussion with the American people.

For 30 years, Medicare has provided health protection to the elderly and disabled citizens. Medicare has been a successful program. It has provided an important source of health security and needed benefits to millions of Americans since its inception 30 years ago. Today, 37 million Americans receive the benefits and health security that Medicare provides.

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Medicare has become an expensive program, and everyone, including the President, agrees that the system needs fundamental structural reform.

Medicare is running out of money. Unless we make changes now, Medicare will not continue to provide the same level of health security in the future.

Nevertheless, 1 week ago, the President held a rally for Medicare. All he talked about was the past. The President forgot the most important element of an anniversary celebration—he forgot to look forward to the next anniversary and the next anniversary after that. If the President fights the reforms necessary to save Medicare's future, then in just 7 years, on the 37th anniversary of Medicare, the program will be bankrupt.

In the President's first budget, which he sent to us in February, Medicare would go bankrupt in the year 2002. Seven more years—that is all we would give the Medicare Program in terms of its existence. After that, there would be no money to pay Medicare hospital benefits. The President would let you choose your doctor, he says, but there would be no money to pay your hospital bills.

The President's original Medicare proposal was great—for the next 7 years. But the 37th anniversary of Medicare would be its last. Under the President's original plan, if you are on Medicare, you better not get sick 8 years from now.

Back in January, the President did not listen to his own Cabinet Secretaries. Three of his own Cabinet officers—Secretaries Bentsen, Shalala, and Reich—are trustees of the Medicare system. Along with two public trustees they told the President and the Congress that the Medicare hospital insurance trust fund had only enough money to pay benefits for the next 7 years.

The President chose to ignore that. The Republicans in the Congress did not. We invited the public trustees up to Capitol Hill to tell us what needs to be done. We listened carefully. Now we are taking their advice.

Let me read from the summary of the trustees' report. The full board of trustees says:

> The Hospital Insurance Trust fund * * * will be able to pay benefits for only about 7 years and is severely out of financial balance in the long range.

This is the report, the summary of it, ''Status of Social Security and Medicare Programs.'' It clearly indicates:

> We strongly recommend that the crisis presented by the financial condition of the Medicare Trust Funds be urgently addressed on a comprehensive basis, including a review of the program's financing methods, benefit provisions, and delivery mechanisms.

This is what the public trustees of Medicare recommend that we do so that we can strengthen Medicare and have many, many, anniversaries to come. This is exactly what we are trying to do now.

There are those who claim, Mr. President, that we are making changes to Medicare for other reasons. They say we are changing Medicare to balance the budget. We are changing Medicare to lessen the tax burden on working families. That is what some people say.

Both of those claims are false. We are making changes to the Medicare system to save the program, to strengthen Medicare so it can survive into the next century. Even if we are not going to balance the budget, Mr. President, even if we are not going to balance the budget, we need to save Medicare. And whether or not we cut taxes, we still have to save Medicare.

Any attempt to link the two is no more than blue smoke and mirrors from the opponents of reform who think the status quo will last forever, and that we will have a 40th anniversary of Medicare by just leaving it alone, when it is patent it will not be there in 10 years.

The Republicans in Congress have chosen to look toward Medicare's future. We decided this spring that we would save Medicare from bankruptcy, control the growth of costs of the program, and ensure that the program would survive past its 40th anniversary. We developed and passed a budget plan in June that guaranteed a strong Medicare into the next century.

Suddenly—and to some extent we are grateful for this—the President decided to join us. In June, he submitted the outlines of a new budget proposal, one which he claimed would save Medicare.

In June, the President made a good start. His budget would save $127 billion from Medicare over the next 7 years. He is now comparing that with our budget, which will slow the rate of growth by $270 billion over the next 7 years.

If I believed that we could save Medicare by doing what the President wants to do, I would do it in a second. But after a long hard look at the numbers and the program, and after extensive discussions with the Congressional Budget Office, I do not think the President's plan will save Medicare.

You see, the President assumed that the costs of the program would not grow as fast as projected by the nonpartisan Congressional Budget Office.

The President's June budget outline assumes that a serious Medicare problem does not exist. He says the problem is not as hard to solve as the neutral Congressional Budget Office says. The President, therefore, is much more optimistic in his assumptions than the Congressional Budget Office.

I wish it were true, but I am afraid it is not. As much as the President wishes it would, the problem will not go away.

The President has come a long way since his first budget in January. Now all he has to do is use the Congressional Budget Office numbers, and we will have an excellent starting point for discussions.

All he has to do is live up to the commitments that he made in his first State of the Union Address, his promise that we would use the Congressional Budget Office as the neutral analyst of budget information.

We in Congress use that neutral body. The honest, responsible way to budget is to rely on one single source of assumptions, and that is what we did, both in our budget plan and in our Medicare estimates. We did not make the problem go away by wishing that it would go away. We asked the Congressional Budget Office and the trustees what it would take to save Medicare, to keep it alive to its 40th anniversary.

The trustees have told us what we must do. The Congressional Budget Office has told us what we must do. And now we have to get on with doing it.

We are going to slow the rate of growth of the program. Medicare spending will grow 6.4 percent per year under the reform plan. Over the next 7 years, Medicare spending is going to increase from $4,800 per person to $6,700 per person. Let me repeat. Medicare spending in the 7 years of the budget plan is going to increase from $4,800 per person to $6,700 per person—$1,900.

I know older Americans are seriously concerned about the future and what it will bring to them and what it will bring to their children and grandchildren. I have found that senior citizens are extremely concerned about the crushing burden of the debt that our current policies will place on their grandchildren. All I know is that they also want a Medicare Program that is fair, both for them and for generations yet to come.

I also know that a 65-year-old couple that starts receiving Medicare this year will, over their lifetimes, receive $117,000 more in Medicare benefits than they will put into the system in payroll taxes and premiums. I know that this will concern many seniors, who want Medicare to be there in the future for them, for their children, and for their grandchildren. We are going to spend nearly 5 percent more per year on Medicare beneficiaries in this budget. So anyone who says we are cutting Medicare is just not telling the truth.

What, honestly, should scare America's senior citizens and disabled citizens is the prospect that we will do nothing. For if we do nothing, seniors will have a hospital benefit plan for only 7 more years. If we do nothing, seniors will be able to keep their doctors but only for the next 7 years. After that, you will still have your doctor, but he will not be able to treat you in a hospital. After that, the hospital insurance trust fund will run out of money and Medicare will not be able to pay hospital benefits.

I want to make sure that our seniors can keep their existing coverage. I want to give them the opportunity to choose other health plans, just like my colleagues and I in the Senate can choose our own health plans. And I believe this is exactly what the Republicans in the Senate want to see happen. They want to give the seniors the opportunity to choose other health plans just like we choose every year.

Most important, I want to make sure that they can do all of these things for more than just 7 years. In September we are going to report legislation that will strengthen Medicare. We are going to simplify Medicare, and we are going to make sure that every Medicare beneficiary has the right to choose his or her health plan, just like my fellow Senators and I have. We need to strengthen Medicare. And to do that we have to control the program's rate of growth.

The first thing we are going to do is to attack the waste and fraud in the system. Every senior recently receiving Medicare knows the system is inefficient, complex, and filled with opportunities for waste and fraud. We are going after that money first.

But all experts tell us that will not be enough. We are going to do that, but then we are going to have to look at changes to the program, in both the short and the long term.

In the short run, we are going to have to look at how much we pay doctors and hospitals—that is in the short term— and the way we pay doctors and hospitals for the services seniors receive. We are going to create the right incentives, so that doctors and hospitals are smart about how they spend your money.

Most importantly, we are going to offer seniors more choices. As a Senator, I have, as has everyone in this body, an opportunity to choose my health plan once a year. If I want a generous program with lots of benefits and no deductibles, I pay a bit more.

In some of the areas of the country, Medicare already is experimenting with this, and seniors have a choice. But that is a very small portion. For the most part, the Medicare Program is stuck in the rigidities of a 30-year-old program while health delivery in America has moved strongly away from that to various choices for our people, not just one choice.

We are going to expand this program and gradually change the system so that all seniors will have choices like we have in the Senate. Some seniors are going to have to pay a little more. There is no way we can get around that. But we going to come to seniors last after we have attacked fraud and waste and after we have made changes to the way we pay doctors and hospitals and after we have started to phase in changes that provide seniors with many choices.

Any changes are going to be phased in gradually over time. We are concerned and considerate with seniors. They do not want rapid changes. We do not think that is necessary. We know that seniors who are on fixed incomes have difficulty adjusting to dramatic changes, and we are taking that into account.

We are not going to let Medicare go bankrupt. Yes, I too celebrate the 30th anniversary of Medicare. It has been an important program critical to health of America's older and disabled people. But right now I am thinking about how we are going to make sure that Medicare has a 40th anniversary and beyond.

I yield the floor.

Mr. FRIST addressed the Chair.

The PRESIDING OFFICER (Mr. JEFFORDS). The Senator from Tennessee.

Mr. FRIST. Mr. President, I would like to continue our discussion this morning on Medicare and our efforts to save it, to strengthen it and to simplify it for the current generation.

As the distinguished Senator from New Mexico just said, this is the 30th anniversary of the Medicare system, a program, a system that is beloved by over 37 million Americans.

Mr. President, a birthday celebration is—by definition—a recognition of the past and not the future. In commemorating the birth of a loved one, we honor all that he is and has done to earn our esteem. As much as we may wish it, however, whether that person lives to celebrate future birthdays, is out of our hands.

Perhaps that is why when President Clinton celebrated the 30th anniversary of the birth of Medicare last Saturday—a system beloved by more than 37 million Americans—he spent the day reminiscing about its past, and ignoring its future.

But just as blowing out all the candles will not guarantee that your wish comes true, closing our eyes to the facts about the health of the Medicare system will do nothing to prolong its life.

Mr. President, on April 3 of this year, Medicare was diagnosed as terminal. Unless Congress takes ''prompt, effective, and decisive action''—we were told—Medicare will be dead in 7 years.

Who made this diagnosis? Not a band of wild-eyed, budget-cutters on Capitol Hill. Not a horde of Robin Hood-like raiders who want to steal from the old to give to the rich, as the President and some in his party would like the American people to believe.

No, Mr. President, it was the bipartisan board of Medicare trustees—a board which includes the Commissioner of Social Security, two public trustees appointed by Democrats and Republicans, and three members of Mr. Clinton's own Cabinet: Robert Rubin, the Secretary of the Treasury; Robert Reich, the Secretary of Labor; and Donna Shalala, the Secretary of Health and Human Services.

It has already been pointed out in this report by the Medicare trustees.

So why is the President ignoring their advice? Perhaps because the President has no plan of his own to save Medicare. Perhaps because he believes that if he just ignores the problem long enough, it will go away. More likely, Mr. President, it is because he hopes that senior citizens will simply be too scared to understand that they can take control of their own health care without the Government telling them what to do.

Mr. President, Medicare's impending bankruptcy is not a Republican nor a Democrat issue—neither one. It is just a plain fact. It is a fact because the average 65-year-old couple retiring today will consume about $120,000 more in Medicare benefits than they paid into the system, than they paid into this trust fund, in terms of premiums, in terms of taxes over their lifetime.

It is a fact because it now takes the taxes of more than three and a half workers to pay for one retiring couple's health care regardless of that couple's income. It is a fact because before long the number of senior citizens on Medicare will far exceed the number of taxpaying workers. And it is a fact because for years Congress has been putting off reform, ignoring the warning signs and tinkering around the edges by raising payroll taxes and by cutting payments to providers. Well, we can tinker no longer.

It is a fact because next year for the first time in its history Medicare will be spending more that year than it takes in. And once that happens, the trust fund begins to go broke. Once that happens, the trust fund will be bankrupt in 7 years.

Mr. President, when it goes bankrupt, when that happens under Federal law, no hospital bills can be paid. In just 7 years seniors will not have less Medicare; they will have no Medicare.

Mr. President, unlike President Clinton and some other Members of the Democrat Party, Republicans simply are not willing to abandon 37 million Americans to a wish and a prayer.

Our birthday present to Medicare will be a plan to save it, to strengthen it, and to simplify it—to save it for every citizen who depends upon it now today, to strengthen it for every person who is counting on it in the future, and to simplify it for everyone to make it easier to use and easier to understand.

Let me make three points very quickly.

First, under the Republican plan, Medicare will continue to grow. Yes, it will be at a slower but a more sustainable rate that will preserve it, that will save it over time.

Today, Medicare spending is growing at the rate of 10.4 percent per year—that is more than three times the rates of inflation, and more than twice the rate of private health care spending.

Under the Republican plan, Medicare spending will continue to grow—at the rate of 6.4 percent per year—which is still more than twice the rate of inflation.

Spending per beneficiary will increase from $4,800 per senior this year to $6,700 per senior by the year 2002—an increase of more than $1,900 per beneficiary, and

Under the Republican plan, by the year 2002, the Federal Government will have spent $96 billion more on Medicare beneficiaries than it spent in 1995.

Mr. President—any way you slice it—that is not a cut.

The second point: The Republican plan will also guarantee that every senior citizen will have the right to choose:

The same traditional fee-for-service Medicare insurance they have right now; the same insurance as any Member of Congress; the same insurance their children have; and preretirees will have the right keep their current benefit package, without having to change to a Government system that offers them less care than they had in the private sector.

Mr. President, under the Republican plan, seniors will not lose their Medicare entitlement. They will continue to be entitled to the right to receive all of Medicare's benefits—including inpatient hospital care, skilled nursing facility care, home health care, hospice, care, physician services, laboratory and diagnostic tests, and x ray and radiation therapy.

They will continue to be entitled to the right to remain in the current Medicare system that they know today.

But they will also be entitled to a right that is denied them today under the current Medicare system, the right to choose insurance that is available to other younger Americans, insurance that may offer them more benefits, be it prescriptions, be it eyeglasses, than they have today, and quite possibly at lower costs.

The third point is that we must take time to do it right. Mr. President, Medicare is just too critical. As a physician, I have had the opportunity to see it work, doctor to patient, every day for the last 18 years. It is too important to apply politics as usual. It must be a bipartisan effort. But the longer we do nothing, the worse Medicare's financial status becomes.

We must act now—act now to save Medicare for those who are on it today.

We must begin that process today of strengthening the Medicare system for those who will be counting on it in the future. We must work together, and we must do it right.

Mr. President, in closing, just as every birthday offers a new opportunity to change in many ways to a healthier lifestyle and a reminder of what will happen if we do not change, so too does this Medicare anniversary, this Medicare birthday provide us with the incentive we need to begin the process, a process that, indeed, will guarantee Medicare not just a 7-year survival but a long life and many happy returns of the day.

Mr. President, I thank the Chair. I look forward to continuing the discussion over the next 30 minutes or so, and at this juncture I would like to turn to the distinguished Senator from Wyoming, who has coordinated much of what we call the freshman focus which reflects what many of us in the freshman class, the 11 new Senators, want to accomplish, and that is significant change, effective change, because that is what our mandate was from the American people.

I thank the Chair and I yield the floor.

The PRESIDING OFFICER. The Senator from Wyoming is recognized.

Mr. THOMAS. I thank the Chair.

STRENGTHENING OF MEDICARE

Mr. President, I rise to speak in support of the strengthening of Medicare, to continue some of our dialog this morning about this important issue. As my friend from Tennessee said, those of us who came to the Senate this year I think have been particularly interested in dealing with those questions that require change. I think we all came with a renewed idea of the feeling of voters because we were elected in this last election, a feeling of voters that there does need to be a change; that there does need to be an honest evaluation of programs; that we do need to react to the needs of programs, to change them when they need to be changed, and not simply seek to apply some sort of political remedy that makes everybody feel good. So we have found ourselves dealing with some pretty tough issues and intend to continue.

So I rise in support of strengthening Medicare, of course. I think most everybody at this point understands that there has to be change. Everybody I know of wants to strengthen the Medicare Program. Everybody I know of thinks that there is value in this program, thinks it is a program that needs to be maintained, one that needs to continue to be available, not only for the 37 million people who currently participate but, frankly, it means a lot to some of us who do not yet participate, yet who have mothers, as in my case, who do participate, and I feel very good about that. She feels good about it as well. She feels confident that there will be care for her as she grows older.

So it is not a question of whether we want the program or whether we like the program. We do. The question is, How do we preserve it? The question is, Do we respond to the facts that are readily available, most graphically portrayed in the trustees' report, that you have to do something or the program goes broke? That is fairly clear. Or I suppose you can seek to use it as sort of a political tool and then spin it into a protectionist sort of thing and try to use it in 1996.

I hope that is not the case. In fact, Mr. President, that causes me to reflect just a moment on something that bothers me quite a little bit, in that this issue has become something of a victim of that tendency to spin and merchandise issues for their political value rather than really being willing to deal with them as the facts dictate.

That is not something unique to the Democrats or unique to the Republicans or, indeed, unique to groups that are outside of the parties that deal in political issues. Frankly, it troubles me a great deal. If we are, as we are, a Government of the people and by the people and for the people, then the people who are going to ultimately make the decisions need to make those decisions based on facts.

It is almost an irony that the technology of information has changed so much that we have more information available to us, more quickly, wherever we live. In Wapiti, WY, where I come from, people can see when Yeltsin gets up on the tape 10 minutes after it happens. Imagine this compared to 50 years ago or 100 years ago when issues and facts and Government only came to people after months of communications.

So it is an irony to me that we now have for each of us as voters the best opportunity to know facts and to know them quickly. However, we are faced with this notion of a continuing growth in the idea of spinning issues so that the facts are not there.

It is legitimate to have a different view as to how you solve problems. It is legitimate to have great debates. It is legitimate to say I wish to go this way and you want to go that way, but they ought to be based on facts. In this instance, the facts are before us. The facts are put forth by a bipartisan group, not only bipartisan but made up a majority of this administration's Cabinet. So there are facts there.

I do not know what there is new to say except to reiterate the 30th birthday of Medicare. Two weeks ago, the Democrats flocked to Independence, MO, to celebrate, as they should, a successful program, but there were two words missing. One was bankruptcy and the other was 2002 which the facts tell us should be what we are really concerned about in making the changes necessary to strengthen Medicare.

My colleague from Tennessee mentioned 37 million people by whom the program is beloved. It is also beloved by many others who feel confident that their mothers and fathers are going to be taken care of. Unfortunately, the program has major financial concerns and the administration has chosen to ignore them. The administration has chosen to attack those who want to strengthen the program by making some changes.

The fact is there are two choices that will be available if we do not do something. One is we will have to eliminate the coverage for hospital services and home care and the other is raise taxes by $711 billion. Neither option is acceptable. Seniors cannot afford to go without health care and no one suggests that they should. Indeed, we are here to strengthen it. The payroll tax needed to make the part A hospital insurance trust fund permanently sound would be an increase of over 3 percent on top of the 2.9 percent that is now paid. This would more than double the withholding. It means the payroll tax for a worker earning $45,000 would be increased by $1,584, nearly $1,600 a year.

One of the interesting notions is the attempt to tie the tax reduction proposal to the changes being proposed in Medicare, but it really does not fit there at all. Part A of this program, which provides coverage for hospital, home health care, and skilled nursing facility services, is financed by Social Security payroll taxes, not by general funds. And for the first time next year, we will be digging into the reserves to pay for that.

So those are the options that are before us. While it has already been described, we need to make a change that reduces the annual rate of growth from 10 percent to roughly 7 or 6.5 percent. This will allow spending to increase from $4,800 to over $6,700 per individual. That takes into account the growing number of individuals. We also must change from a defined benefit program to a defined contribution program. Older people come in all kinds of financial conditions. They want to make choices with regard to the type of coverage they want and should be able to do that.

We had hearings last year in the House, specifically in the Committee on Government Operations which I was a member of, on fraud and abuse. The witnesses testified that fraud represented 10 percent of overall costs in terms of the amount of money that is spent on health care. That is almost $90 billion. Clearly, we must do something about fraud and abuse.

Another change that must be made is to encourage all of us, and the elderly in particular, to look at their bills to see if double-billing or over-billing exists. Taxpayers should no longer tolerate the response, ''What do you care? You don't have to pay for it anyway.'' I ran into this in a nursing home in Cheyenne, WY, where the materials that were sent there just happened to be a mechanical thing that cost about three times what it ought to cost them. The answer was, ''It doesn't matter because you don't have to pay for it.'' I disagree because it does matter.

So, Mr. President, I am pleased Medicare is high on our agenda. I am pleased we are focusing on a problem that needs to be fixed. I am pleased that we are trying to strengthen the program so it may continue to exist and provide benefits not just on the 30th anniversary, but the 40th, and the 50th. That is our goal.

Mr. President, I yield the floor.

Mr. FRIST addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. FRIST. I see that the distinguished Senator from Arizona is here as we continue our discussion to save Medicare and to strengthen it for the current seniors, individuals with disabilities, as well as for the next generation.

I should also thank the Senator from Wyoming for his statements and simply add that, if we were to do nothing—when he brought up taxes and how Medicare is paid for—by the year 2020, we would have to pay twice as much in taxes, in payroll taxes, as we pay now to keep that trust fund afloat.

We must act and we must act now.

Mr. KYL addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

CRISIS IN MEDICARE

Mr. KYL. I would like to thank the Senator from Tennessee for yielding this time. I think it is fortunate that in the Senate now we have a distinguished surgeon, someone very familiar with the delivery of health care, who can help us in the crafting of legislation to deal with this important problem that faces us today, the reform of our Medicare system to preserve and to protect and to strengthen Medicare. That is the challenge that faces us today. And I appreciate the time to talk on that.

Before I begin that discussion, however, I would like to ask unanimous consent that, after my remarks, there be printed in the RECORD a copy of an editorial that was carried this morning in the Wall Street Journal dealing with the subject we debated much last week and which, hopefully, will be concluded this week. The editorial is entitled ''GOP Stakes Missile Defense.'' It is about our missile defense program and the work that the Senate has done to foster that program.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. KYL. Mr. President, my colleague, JOHN MCCAIN, and I have been conducting a series of townhall meetings in the State of Arizona for the last several months to talk about this question of how we preserve and protect and strengthen Medicare. We have listened to our constituents. And I think the first thing we ought to do here, when we begin to craft solutions, is to find out what they think is important to retain and what needs to be fixed and how to do that.

So I am hoping that our colleagues will utilize what little time might remain of the August recess to hold such meetings with constituents, come back with new ideas about how to address the problem when we really begin work on this in September.

People might wonder why we are talking about this particular subject this morning. Of course, the reason we are doing it is because, hopefully, at the end of this week we will be leaving Washington for 3 weeks or so for the so-called recess. And it does offer us that opportunity to begin to talk to people about it. We want to begin that conversation right now.

There has been much conversation already about the Medicare trustees' report. I do not think that anyone now who is familiar with the problem will deny that there is a problem, that we have to do something right away to fix that problem, to take quick action. If we do not, as has been noted before, Medicare will be bankrupt beginning in the year 2002. Let me quote one small portion from the Medicare trustees' report.

> We strongly recommend that the crisis presented by the financial condition of the Medicare Trust Funds * * * be urgently addressed on a comprehensive basis, including a review of the program's financing methods, benefits provisions, and delivery mechanisms.

Mr. President, that is something that I like to begin meetings with when I talk to my constituents in Arizona, because the Medicare trustees say we need to look at all three of these aspects.

First, a review of the program's financing aspects. This means talking about taxes and premiums primarily, as my colleague from Wyoming just pointed out. The Medicare part A payroll tax paid by workers would have to be increased by up to 600 percent if we are going to solve the financial condition of Medicare by a payroll tax increase. If we are going to deal with it by increasing the premiums, the part B premiums, they would have to be increased by up to 700 percent. I ask seniors in Arizona, ''Is anybody here in favor of raising taxes or premiums?'' It might not be surprising that no hands go up, at least very few hands go up on that.

All right. Let us turn then to the second thing that the trustees say we have to review, a review of the program's benefits provisions. Likewise, it might not surprise anyone here that when you ask whether or not anyone would like to see benefits reduced, you see very few hands go up in the audience. And, indeed, limiting benefits would merely exacerbate the Medicare coverage limitations that force seniors to spend millions per year on MediGap supplemental insurance.

If we are talking, on the other hand, about restricting Medicare reimbursements to providers, that has been tried in the past. That is how we have tried to deal with this problem so far. And it has not worked. It only increases the incentives for rationing. We have seen the results of that because Medicare pays only between 60 and 70 percent of the cost of care. More and more providers have decided not to provide that kind of care. So that limits the choice for seniors.

Well, the third thing that can be done in dealing with Medicare reform, according to the trustees, is review of the delivery mechanisms. And that is where the real savings are to be found. That is where the real incentives for providing better care at an ultimately reduced cost is going to be found, I think.

I think review of delivery mechanisms divides itself into two convenient ways of discussing the problem. The first are specific things that we can do in the delivery of this care, that we know will save money and will not at all adversely affect the care that seniors receive. When we hold these townhall meetings, we like to ask the people in attendance, ''Has anybody here ever reviewed a bill for something that they received and had Medicare pay for and found a mistake in the bill?'' Well, almost every hand goes up. And as a matter of fact, during the question and answer period, again, it is not surprising that you have tens of seniors coming up telling their personal stories about the surgery that they had to have or their spouse had to have and the bill, and they cannot believe what they charged. They asked about it, and it was, ''Yes, it is an overcharge, but we do not have the mechanism for trying to deal with that. Somebody else is paying for it. Do not worry about it.''

That frustrates seniors very greatly because they saved all their lives, paid taxes and they see the waste and abuse and, yes, sometimes fraud. And it makes them mad. It ought to make all of us mad. They want that dealt with. Before there is any talk about increasing any contribution that they may want to make or having to deal with the delivery of health care differently, they want to know that we have squeezed every dime of savings that can be squeezed out of this program in eliminating the waste and the fraud and even the abuse.

One of the ideas we talked about to deal with this is some kind of reward whereby those who find the mistakes receive, let us say just hypothetically, 10 percent of all of the mistakes that have been certified to have existed or the fraud that has resulted in overpayments. So that is one way to deal with the problem.

There is also a need, obviously, for tort reform, because there is too much excess spending in the program that results from the necessity of physicians and hospitals having to practice what we call defensive medicine, having to protect themselves from liability lawsuits and, therefore, ordering extra, unnecessary, and costly tests and procedures. So we need to have tort reform as a part of this overall reform.

There are other things like computerized billings and some other things that we know will save a lot of money and does not affect the delivery of care at all.

But we also know the second part of this discussion has to involve actual changes in the way that the various health care options are presented to seniors so that they can then have a wider array of choices and, with that wider array of choices being presented, the competition by the providers will naturally result in driving costs down.

We also know that if they have the option of making choices themselves, where they may be able to keep some of the savings that result, there will necessarily be savings because it is no longer a third party paying it without consequence, it is rather the seniors being able to exercise a choice and save some of the money that is saved in the system.

So we think these are additional ways by which we can save money.

Now, we do not have a secret plan out there as to how to do this. That is why we want to talk to our constituents to find out what they think is the best way to do this. But there have been some pretty good ideas out there. And they basically enhance choice. They say, if you like the current kind of system, you can keep that. If you think it would be beneficial to you to go to an HMO, you can do that, although there should not be any disincentives for those who do not want to go to an HMO.

Some people like the idea of going to PPO's and some like the idea of the medisave account. Frankly, I think this presents a great opportunity for us because, as I said a moment ago, with a medisave account you basically provide seniors with an amount of money they can spend so long as they can buy a major medical policy that can take care of their major medical expenses. They then have enough money left over to pay the out-of-pocket expenses that they have to pay until they reach the limit that would then kick into a major medical or a catastrophic policy. But if they do not spend that money, they get to keep what is left over and that provides a powerful incentive not to be spending as much on health care. That is the bottom line.

We have to decrease the rate of growth from about 10 percent down to about 7 percent, which is still twice the rate of increase in the private sector and twice the rate of inflation increase.

So as we go out to visit with our constituents this August, Mr. President, I suggest we visit with them about some of these options, ask them what is on their minds, how they would see the solution to the problem being developed. And when we come back in September, hopefully we will have developed some kind of consensus so we can present the plans, debate them, have a good, thorough debate around the country, but eventually this fall come up with legislation that can preserve, protect, and strengthen Medicare for the seniors who are currently beneficiaries and all of us in the future.

Again, I thank the Senator from Tennessee for conducting this important discussion this morning.

[From the Wall Street Journal, Aug. 7, 1995]

EXHIBIT 1

GOP STAKES MISSILE DEFENSE

Missile defense is back. In an important 51–48 vote last week, largely upon party lines, the Senate approved construction of a system to defend the nation against attack by ballistic missile. The House approved a similar bill this spring. Beyond taking a crucial step to ensure the country's future security, the Republican Senate has thrown down a huge political marker for the coming presidential campaign.

The part of the bill that has gotten the most attention is the plan to build a network of land-based missile-defense sites over the next eight years. Even more important is its increased funding for an upgrade of the Navy's Aegis air-defense system, which could provide a rough defensive capability for the continental U.S. by the year 2000. It also ups the spending for Brilliant Eyes, a space-based sensor capable of detecting missile launches and tracking missiles in flight. In the long run, space-based defenses—Star Wars—are the most efficient and effective way to defend against missile attack.

It's hard to overstate the significance of the Senate vote. It is a long-delayed recognition of the need to prepare now for a future threat. This is not a bad lesson to remember in the month that we are commemorating the 50th anniversary of the end of a terrible war that we were unprepared to fight. It's a lesson, however, that the Administration rejects; it's threatening to veto the Senate bill, so the campaign issue is clearly drawn.

Nations with ballistic missiles

Afghanistan	Iran	South Africa
Argentina	Iraq	South Korea
Brazil	Israel	Syria
Britian	Kazakhstan	Taiwan
Belarus	Libya	Ukraine
China	North Korea	U.S.
Egypt	Pakistan	Vietnam
France	Russia	Yemen
India	Saudi Arabia	

Sources: Heritage Foundation; other sources.

As to the threat, consider the nations on the nearby list that already possess ballistic missiles with conventional weapons capabilities of some range (either developed indigenously or bought from a superpower). It's hardly difficult to imagine that once some madman gains this power in one of the Bagdhdads or Pyongyangs of the world, he'll be sorely tempted to threaten a San Francisco or New York with it.

''Already North Korea is developing missiles that could attack the military installations in Alaska,'' warned Senator Ted Stevens of Alaska in Thursday's debate. When that capability eventually exists, it will of course be too late for the U.S. to start cobbling together a national missile defense.

A more immediate reminder of the need for a national missile defense comes from China. Two weeks ago in a ''routine test,'' it launched six missiles that splashed down in the Taiwan Strait. China already has an ICBM capable of reaching California. The Taiwan ''test'' didn't cause a big news stir, but imagine what would be our response if someday it ''tested'' one of those unarmed missiles by lobbing it into San Francisco Bay, say, during the visit of a Taiwan official to Ithaca, New York? There would be a popular upheaval in this country.

Apart from the welcome attention it gives to the need for a national missile defense, the second significance of the Senate vote lies in the message it sends about arms control. The Senate has said, in effect, that it no longer is going to let the tail wag the dog. From now on, it's going to tailor arms-control treaties to suit national security policy, not the other way around.

That ultimately means the demise of the 1972 Anti-Ballistic Missile Treaty, in which the U.S. made the reckless promise not to defend itself against missile attack. The Administration is screaming that the Senate bill would violate that treaty, and put in jeopardy the two Start treaties, under which the U.S. and Russia are dismantling their nuclear arsenals. Just so. Those treaties have always been invoked as the reason for according the ABM treaty sacred status, thereby foreclosing any intelligent debate on missile defenses themselves. While Republicans are talking publicly about modifying the ABM Treaty, many have come to the private conclusion that it has to go.

As a technical matter, that is easier said than done. There is a withdrawal clause, but it's up to the executive branch to exercise it. That's something that will almost certainly have to wait until the next President because this one subscribes to the ancient arms-control dogmas. We wonder how that will play in the summer of 1996.

The pro-missile defense group, Committee to Defend America, has been raising that issue in focus groups around the country in recent months. Along the way it has discovered that most citizens think we now can shoot down an incoming ballistic missile.

When they find out we have the ability to develop such a capability but choose not to exercise it, the overwhelming response is outrage—and a demand that we build it immediately.

Ultimately, of course, the Republican candidates also have to credibly convince voters they recognize the modern realities. But if the party's candidates hold to the position staked out by the Senate last week, this will be one issue on which Bill Clinton will be sounding like a very old Democrat.

Mr. FRIST addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. FRIST. Mr. President, as we continue our discussion this morning, there have been four central things: First is that Medicare will be bankrupt in 7 years; second, under the GOP plan, Medicare spending will continue to rise; third, that seniors truly deserve the right to choose, to have more than they have today, though they can preserve their traditional fee-for-service system; fourth, we must take time to do it right, but we need to act and to act now.

To continue our discussion this morning on how best to save and strengthen Medicare, I turn to the distinguished Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho is recognized.

Mr. CRAIG. Mr. President, let me thank my colleague for yielding, but also let me thank him for taking out this special order to discuss with the Senate and those who might be watching this morning the tremendously important issue of Medicare.

I think I, along with him and many others, are dismayed and amazed at the recent attempts to attack the integrity of the Medicare trustees' report on the status of the Medicare trust fund.

There has been a great deal of partisan rhetoric on the validity of the report, as well as criticism of the budget resolution the Congress has adopted this year in reflection of that report in an attempt to handle it in an up-front way.

When you look at those who are members of the board of trustees, it becomes clear that the report is certainly not a partisan effort to spin one idea or another about Medicare. The Medicare trustees are Robert Rubin, the Secretary of the Treasury; Robert Reich, the Secretary of Labor; Donna Shalala, Secretary of Health and Human Services; Shirley Chater, Commissioner for Social Security; Stanford Ross; and David Walker.

These six people serve on the Social Security and the Medicare boards of trustees. The last two members, Stanford Ross and David Walker, were appointed by the President and confirmed by the Senate to represent the public. The boards are requested by law to report to the Congress each year on the operation of the trust funds and to project the financial status of those funds.

The Medicare trustees, in their annual report on the Medicare trust fund released in April of this year, concluded that action is needed to be taken if Medicare is going to operate after the year 2002. The following is an excerpt that other Senators this morning may have mentioned, but I think it is clearly noteworthy and ought to be a part of the RECORD. Let me read from that trust fund report:

> The Federal hospital insurance—

HI as it is known.

> trust fund which pays inpatient hospital expenses will be able to pay benefits for only about 7 years and is severely out of financial balance in the long range. The trustees urge the Congress to take action.

Let me repeat that:

> The trustees urge the Congress to take action.

That is their job, Mr. President, to tell us what is wrong and to suggest to us what we ought to do, and they urge us to take action designed to control the Federal hospital insurance trust fund to address the projected financial imbalance in both the short range and the long range through specific program legislation as part of a broad-based health care reform. The trustees believe that prompt, effective and decisive action is just critically necessary.

So some people will say this is not an urgent issue because the trustees have reported these concerns of solvency, or lack thereof, over the past and it still continues to exist today. We hear Members of the other body shrugging their shoulders and saying, ''This isn't big news. This isn't important news. We've heard these reports before.''

It is because the Congress in the past has heard those reports, Mr. President, and has micromanaged making the minor adjustments over the years to control the costs that have allowed us to maintain the trust funds.

However, those artificial cost controls, lower reimbursement rates, the growing paperwork that has been a result of these reactions to reports and the solutions now no longer work, or at least that is what the trust funds are saying, that we have to make the adjustments and we have to do it now or the Medicare beneficiaries in rural States like mine are simply not going to be served as they have been served in the past.

At or below-cost reimbursement rates have made it difficult to recruit new physicians in my State of Idaho and have forced many doctors to limit the number of Medicare patients they will treat. In other words, our actions of the past, while trying to save the system, have now squeezed it into a situation where doctors are dividing and sorting out and saying, ''We will, but we won't, and we'll limit our practices and we'll limit our ability to receive and care for Medicare patients.''

As I said many times both on the floor of the House of Representatives when I served there and now in the Senate, rural Idaho is not just 20 miles down the interstate. It is something that sometimes requires hundreds of miles of distance and time. Of course, if it is the middle of the winter, it may be that very difficult passage over a snowbound pass that results in the care or lack of care delivered, and that is all a part of this Medicare equation that we have to talk about.

I will say that even the President realizes this is a problem now that he cannot walk away from and it is why he dealt with it in his own budget. Although his rhetoric does not match up with the figures of his own budget, he, too, unlike a lot of other Members of his party, recognizes the critical nature Medicare is in and has to be addressed.

President Clinton has launched a number of attacks on the Congress for spending too little on Medicare. However, when you start comparing numbers, there is little difference between the President's plan for Medicare over the next 7 years and the budget targets set in the congressional budget resolution. They are just a little ways apart.

According to the Office of Management and Budget, President Clinton proposes to spend $1.697 trillion on Medicare over the next 7 years. That figure is very close to the $1.62 trillion—and I said ''trillion''—that was targeted for Medicare spending under the congressional budget resolution.

In real money terms, Mr. President, the difference is less than a nickel on the dollar between the President and the Congress. On some of the graphs I have seen, it is almost nondiscernible.

In addition, the spending targets in both the Congress' and President's budgets are not cuts in spending, as others would like to have us believe. Rather, they are lower rates of growth. Under the Republican plan, Medicare's annual spending will increase by $178 billion this year to $274 billion in the year 2002. That is an annual growth rate of 6.4 percent, and yet, there is this wringing of hands to suggest that we are severely slashing Medicare to its recipients.

Let me suggest that it is a 6.4-percent growth, and that is substantially larger than current rates of health care increases on a cost annualized per patient.

Right now we are spending over $4,816 a year per Medicare recipient and, by 2002, under the Republican plan to strengthen and maintain Medicare, we would be spending $6,732.

Regardless of which figure you use, both represent increases in spending about one and a half times higher than the rate of growth in private sector health care spending.

That level of growth can be achieved without breaking the trust. However, the trust cannot continue to grow more than twice as fast, because that path leads us to bankruptcy.

Mr. President, just 19 months ago, the President proposed major reductions in Medicare in order to pay for his Government-run health care proposal. He said at that time that those reductions were not cuts:

> Today, Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of

inflation. That is not a Medicare or a Medicaid cut. So when you hear all this business about cuts, let me caution you that is not what is going on.—President Bill Clinton, speech to the AARP.

So, what is all this rhetoric about? It's about politics. Not policy. Not the future of Medicare, Mr. President. And, certainly not about meeting the needs of America's seniors. The facts are pretty clear: No one is cutting Medicare; the proposed spending levels are very similar; and, Clinton's proposal doesn't protect, preserve or improve Medicare.

Mr. President, another accusation I have heard about the spending targets proposed over the next 7 years is that they are being made to pay for a tax break for the wealthy. Reading the summary of the 1995 annual report will dispel that story.

Mr. President, this is not about tax cuts or spending cuts. This is about bankruptcy. The President agreed, and said so on June 11 of this year.

We cannot leave the system the way it is—when you think about what the baby-boomers will require—that's going to require significant long-term structural adjustment. We'll just have to look at what we can do there. But the main thing we can't do—we can't have this thing go broke in the meanwhile.

In addition, three members of president Clinton's Cabinet and the Commissioner of Social Security were in agreement and said so on April 3 of this year.

The Medicare trustees stated in their report issued on the third of April that, ''under all sets of assumptions, the trust is projected to become exhausted even before the major demographic shift begins.''—Page 3 of the report.

Some people will avoid responsibility, and will say that there is no problem. They are wrong. Next year, for the first time in the history of the Medicare Program, more money will go out of the trust fund than will come in. The debt will continue to grow until the trust fund is completely depleted.

Mr. President, I am concerned that the trustee's annual report is no longer in print.

In addition, Mr. President, I hope my fellow Idahoans will take the time to review this summary.

I will be sending copies of today's CONGRESSIONAL RECORD to each of my State offices and will have it available for review in the office. The summary is not very long, but speaks volumes about this problem.

I hope my colleagues will do the same to make sure that this document gets out and the American people can read for themselves the financial problems that the Medicare Hospital Insurance Trust fund faces.

Mr. President, to cast stones and ignore this problem is not an option. Regardless of age, we all need to be concerned about the solvency of Medicare. We must act now.

Mr. President, I had the pleasure of celebrating my 50th birthday in July of this year. As I embark on my second half century, a few harsh realities are drawing near. I may not be knocking on the door of my retiring years, but they are coming fast.

Issues like health care are of interest and concern to me, like all Americans. I want Medicare to continue to exist for those who are now beneficiaries.

I also want it around for my wife and me. But, more importantly, I want the program to be there for my children, and my children's children, and so on.

An individual from Idaho that I know fairly well contacted me recently, to let me know that I would be in big trouble if anything were done to Medicare. The conversation progressed and finally, this individual told me they didn't care if Medicare went bankrupt in 7 years because there was no way in the world they'd still be alive.

Well, Mr. President, we laughed a little at that. And, then, it was as if it were finally becoming clear. This individual realized that when he was gone, someone else would be in his situation, that the need would still exist, and the situation, if not addressed would be far worse. After all, the baby-boomers are no longer thirty-somethings. I know, because I am a baby-boomer.

In the end, my caller agreed that what we needed to focus on was long-term solutions that would reform Medicare in a way that will shore up the solvency of the trust fund. Mr. President, it is a tall order, but there is no alternative. It must be done.

I ask unanimous consent that the executive summary, the 1995 annual report of the Social Security and Medicare board of trustees also be printed in the RECORD immediately following my comments.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STATUS OF THE SOCIAL SECURITY AND MEDICARE PROGRAMS

A SUMMARY OF THE 1995 ANNUAL REPORTS

A message to the public

The Boards of Trustees are pleased to present this Summary of the 1995 Annual Reports of the Social Security and Medicare trust funds. The reports include extensive information about these important social programs and, we believe, fully and fairly present their current and projected financial condition.

In particular, we encourage current and future beneficiaries to consider what the reports mean for them as individual citizens. Based on the Trustees' best estimates, the reports show:

The Federal Old-Age and Survivors Insurance (OASI) Trust Fund, which pays retirement benefits, will be able to pay benefits for about 36 years. The Board believes that the long-range deficit of the OASI Trust Fund should be addressed. The Advisory Council on Social Security is currently studying the financing of the program and is expected to recommended later this year ways to achieve long-range actuarial balance in the OASI fund.

The Federal Disability Insurance (DI) Trust Fund, which pays disability benefits, is projected to be exhausted in 2016. The Board believes that the long-range deficit of the DI Trust Fund should be addressed. The Advisory Council on Social Security currently also is studying the financing of the DI program and is expected to recommend later this year ways to achieve long-range actuarial balance in the DI fund.

The Federal Hospital Insurance (HI) Trust Fund, which pays inpatient hospital expenses, will be able to pay benefits for only about 7 years and is severely out of financial balance in the long range. The Trustees urge the Congress to take additional actions designed to control HI program costs and to address the projected financial imbalance in both the short range and the long range through specific program legislation as part of broad-based health care reform. The Trustees believe that prompt, effective, and decisive action is necessary.

The Federal Supplementary Medical Insurance (SMI) Trust Fund, which pays doctor bills and other outpatient expenses, is financed on a year-by-year basis and, on this limited basis, is adequately financed. The Trustees urge the Congress to take additional actions designed to more effectively control SMI costs through specific program legislation as part of broad-based health care reform. The Trustees believe that prompt, effective, and decisive action is necessary.

Pubic discussion regarding the financing of the Social Security and Medicare programs needs to take account of the critical differences among the four individual trust funds and, at the same time, the important relationships among them. A key aspect of thinking about future financing of these trust funds is recognition that under current law the timing and magnitude of the financing problems facing the programs are distinctly different. This summary presents the current and projected financial status of these four programs both separately and together in the hope that it will enhance public understanding of them and encourage necessary program reforms.

By the Trustees:

ROBERT E. RUBIN,
Secretary of the Treasury, and Managing Trustee.
ROBERT B. REICH,
Secretary of Labor, and Trustee.
DONNA E. SHALALA,
Secretary of Health and Human Services, and Trustee.
SHIRLEY S. CHATER,
Commissioner of Social Security, and Trustee.
STANFORD G. ROSS,
Trustee.
DAVID M. WALKER,
Trustee.

STATUS OF THE SOCIAL SECURITY AND MEDICARE PROGRAMS—A SUMMARY OF THE 1995 ANNUAL REPORTS

What Are the Trust Funds?—Four trust funds have been established by law to finance the Social Security and Medicare programs. For Social Security, the Federal Old-Age and Survivors Insurance (OASI) Trust Fund pays retirement and survivors benefits; and the Federal Disability Insurance (DI) Trust Fund pays benefits after a worker becomes disabled. When both OASI and DI are considered together, they are called the OASDI program.

For Medicare, the Federal Hospital Insurance (HI) Trust Fund pays for hospital and related care (often called ''Part A'') for people over 65 and workers who are disabled. The Federal Supplementary Medical Insurance (SMI) Trust Fund pays for physicians and outpatient services (often called ''Part B'') for people over 65 and workers who are disabled. These two trust funds are not usually considered together, because they are funded differently.

Who Are the Boards of Trustees?—Six people serve on the Social Security and Medicare Boards of Trustees: the Secretary of the Treasury, the Secretary of Labor, the Secretary of Health and Human Services, the Commissioner of Social Security and two members appointed by the President and confirmed by the Senate to represent the public. The Boards are required by law to report to the Congress each year on the operation of the trust funds during the preceding years and the projected financial status for future years.

What Were the Trust Fund Results in 1994?—Assets of all trust funds except SMI increased during calendar year 1994. At the end of the year, 42.9 million people were receiving OASDI benefits and about 37 million people were covered under Medicare. Trust fund operations, in billions of dollars, were (totals may not add due to rounding):

	OASI	DI	OASDI	HI	SMI
Assets (end of 1993)	369.3	9.0	378.3	127.8	24.1
Income during 1994	328.3	52.8	381.1	109.6	55.6
Outgo during 1994	284.1	38.9	323.0	104.5	60.3
Net Increase	44.1	14.0	58.1	5.0	−4.7
Assets (end of 1994)	413.5	22.9	436.4	132.8	19.4

What Were the Administrative Expenses in 1994?—The cost of administrative expenses in fiscal year 1994, shown as a percentage of benefit payments from each trust fund, was:

	OASI	DI	OASDI	HI	SMI
Administrative Expenses (FY 1994)	0.7	2.8	0.9	1.2	3.0

How Are the Trust Funds Financed?—Most OASDI and HI revenue consists of taxes on earnings that are paid by employees, their employers, and the self-employed. The tax rates are set by law and, for OASDI, apply to earnings that do not exceed a certain annual amount. This amount, called the earnings base, rises as average wages increase. In 1995, the earnings base for OASDI is $61,200. Beginning with 1994, HI taxes are paid on total earnings. The tax rates for employees and employers each under current law are:

Year	OASI	DI	OASDI	HI	Total
1990–93	5.60	0.60	6.20	1.45	7.65
1994–96	5.26	0.94	6.20	1.45	7.65
1997–99	5.35	0.85	6.20	1.45	7.65
2000 and later	5.30	0.90	6.20	1.45	7.65

People who are self-employed are charged the equivalent of the combined employer and employee shares, but only on 92.35 percent of net earnings, and may deduct one-half of the combined tax from income subject to Federal income tax.

All the trust funds receive income from interest earnings on trust fund assets and from miscellaneous sources. The OASI, DI and, beginning in 1994, HI Trust Funds also receive revenue from the taxation of Social Security benefits.

The SMI or Part B program is financed similarly to yearly renewable, term insurance. Participants pay premiums that in 1994 covered about 30 percent of the cost; the rest is paid for by the Federal Government from general revenues. The 1995 monthly premium is $46.10.

In all trust funds, assets that are not needed to pay current benefits or administrative expenses (the only purposes for which trust funds may be used) are invested in special issue U.S. Government securities guaranteed as to both principal and interest and backed by the full faith and credit of the U.S. Government.

How Are Estimates of Trust Fund Balances Made?—Short-range (10-year) estimates are reported for all funds, and, for the OASI, DI, and HI Trust Funds, long-range (75-year) estimates are reported. Because the future cannot be predicted with certainty, three alternative sets of economic and demographic assumptions are used to show a range of possibilities. Assumptions are made about economic growth, wage growth, inflation, unemployment, fertility, immigration, and mortality, as well as specific factors relating to disability, hospital, and medical services costs.

The intermediate assumptions (alternative II) reflect the Trustees' best estimate of what the future experience will be. The low cost alternative is more optimistic; the high cost alternative is more pessimistic; they show how the trust funds would operate if economic and demographic conditions are better or worse than the best estimate.

What Concepts Are Used to Describe the Trust Funds?—The measures used to evaluate the financial status of the trust funds are based on several concepts. Some of the important concepts are:

Taxable payroll is that portion of total wages and self-employment income that is covered and taxed under the OASDI and HI programs.

The annual income rate is the income to the trust fund from taxes, expressed as a percentage of taxable payroll.

The annual cost rate is the outgo from the trust fund, also expressed as a percentage of taxable payroll.

The percentage of taxable payroll is used to measure income rates and cost rates for the OASDI and HI programs. Measuring the funds' income and outgo over long periods of time by describing what portion of taxable earnings they represent is more meaningful than using dollar amounts, because the value of a dollar changes over time.

The annual balance is the difference between the income rate and the cost rate. If the balance is negative, the trust fund has a deficit for that year.

The actuarial balance is the difference between the annual income rates and cost rates summarized over a period of up to 75 years, and adjusted to include the beginning fund balance and the cost of ending the projection period with a trust fund balance equal to the next year's outgo; if the balance is negative, the fund has an actuarial deficit.

The trust fund ratio is the amount in the trust fund at the beginning of a year divided by the outgo for the year. It shows what percentage of the year's expenditures the trust fund has on hand. For example, a trust fund ratio of 100 percent would reflect an amount equal to 1 year of projected expenditures.

The year of exhaustion is the first year a trust fund is projected to run out of funds and to be unable to pay benefits on time and in full.

How Is the Financial Status of the Trust Fund Tested? Several tests, based on the intermediate assumptions, are used to review the financial status of the trust funds.

The short-range test is met if, throughout the next 10 years, the trust fund ratio is at least 100 percent. Of, if the trust fund ratio is initially less, but reaches 100 percent within the first 5 years and stays at or above 100 percent, and there is enough income to pay benefits on time every month during the 10 years, the short-range test is met.

The long-range test is met if a fund has an actuarial deficit of no more than 5 percent of the cost rate over the 75 years, and if the actuarial deficit for any period ending with 10th year or later is a graduated amount of 5 percent. If the long-range test is met, the trust fund is in close actuarial balance.

The test for SMI actuarial soundness is met for any time period if the trust fund assets and projected income are enough to cover the projected outgo and there are enough assets to cover costs incurred but not yet paid. The adequacy of the SMI Trust Fund is measured only for years for which both the beneficiary premiums and the general revenue contributions have been set.

What Is the Future Outlook for the Trust Funds?—The status of the OASI, DI, and HI Trust Funds is shown together on charts because they are financed the same way. SMI is financed differently, so its status is described separately.

The short-range outlook (1995–2004)

Chart A shows the projected trust fund ratio under the intermediate (alternative II) assumptions for OASI, DI, and HI separately. It also shows the ratio for the combined OASI and DI trust funds. (Chart not reproducible in RECORD.)

The OASI trust fund ratio line is over the 100 percent level at the beginning of the 10-year period and stays over that level through the year 2004. Therefore, the OASI Trust Fund meets the short-range test of financial adequacy.

The trust fund ratio line for DI starts at 54 percent, reaches 100 percent in 1996, and remains above that level throughout the remainder of the period. Thus, the DI fund also meets the short-range test.

The trust fund ratio line for the combined OASI and DI Trust Funds begins above the 100 percent level and stays over that level throughout the 10-year period; therefore, the OASDI program, as a whole, meets the short-range test of financial adequacy.

Although the trust fund ratio line for HI is over the 100 percent level at the beginning of the 10-year period, it falls below that level in 1995. As a result, it does not meet the short-range test. Under the intermediate assumptions, the projected year of exhaustion for the HI Trust Fund is 2002; under more adverse conditions, as in the high cost alternative, it could be as soon as 2001.

The financing for the SMI Trust Fund has been set through 1995, and the projected operations of the trust fund meet the test of SMI actuarial soundness.

The long-range outlook (1995–2069)

Chart B shows the actuarial balance, as a percentage of the cost rate, for OASI, DI, and HI separately under the intermediate (alternative II) assumptions, as well as for the combined OASI and DI Trust Funds. (Chart not reproducible in Record.)

For a trust fund to meet the long-range test of close actuarial balance, the actuarial balance line for that trust fund must stay above the shaded area throughout the 75-year period. The triangle above the shaded area but below the zero percent level shows the range of allowable deficits a fund can have and still be in close actuarial balance.

None of the three trust funds is in close actuarial balance over the next 75 years. However, the chart shows that the actuarial balance line for OASI, as well as for the OASDI program as a whole, stays above the shaded area for many years to come.

The actuarial balance line for DI alone starts above the shaded area but declines below it in about 2009 and continues to decline significantly for about an additional 25 years before the rate of decline slows. The actuarial balance line for HI starts well into the shaded area and declines continuously over the long-range period.

The year of exhaustion for the OASI Trust Fund under intermediate assumptions does not occur until 2031—36 years from now. For the combined OASI and DI Trust Funds, the year of exhaustion would be 2030—in 35 years. However, combined OASDI expenditures will exceed current tax income beginning in 2013. Thus, as Chart C illustrates, current tax income plus a portion of annual interest income will be needed to meet expenditures for years 2013 through 2019, and current tax income, annual interest income, plus a portion of the principal balance in the trust funds will be needed for years 2020–2029. (Chart not reproducible in Record.)

Another useful way to view the outlook of the trust funds is to compare the income rate for each fund with its estimated cost rate. Over the 75-year period the income rates for OASI, DI and HI remain relatively constant, while the cost rates generally rise steadily.

For OASI, the income rate is projected to remain significantly above the cost rate for a number of years. Starting in about 2010, however, the OASI cost rate will begin increasing rapidly as the baby boom generation begins to reach retirement age. In 2014 and later, the cost rate for OASI will exceed the income rate.

The income rate for DI is slightly higher than the cost rate only until 2004, after which the annual shortfall of tax income is projected to increase slowly over the entire 75-year period.

The cost rate for HI is higher than the income rate, by rapidly growing amounts, throughout the 75-year projection period—by the end of the period, the HI cost rate is projected to be roughly 3 times greater than the HI income rate. Chart D shows the virtually level income rates and rising cost rates for OASI, DI and HI. (Chart not reproducible in the RECORD.)

An additional way to view the outlook for the trust funds as projected under current law is in relation to the economy as a whole. The table below shows the estimated outgo from each trust fund as a percentage of estimated gross domestic product (GDP) from 1995 to 2069. OASI and DI increase at about the same rate over this period, while the increases in HI and particularly in SMI are much greater.

OASI, DI, HI, AND SMI OUTGO AS A PERCENT OF GROSS DOMESTIC PRODUCT

Trust fund	1995	2020	2045	2069	Percent increase
OASI	4.18	5.05	5.72	5.98	43
DI	0.60	0.87	0.87	0.86	44
HI	1.62	2.83	4.05	4.46	175
SMI	0.99	3.18	4.01	4.29	333

Conclusions

The status of the Social Security and Medicare programs can be summarized by looking at the results of the tests used to evaluate the financial status of the trust funds and at the number of years before each trust fund is expected to be exhausted under the intermediate assumptions:

FINANCIAL STATUS OF THE OASI, DI, HI, AND SMI PROGRAMS

Is the test of financial adequacy met:

Trust fund	Short-range 10 years	Long-range 75 years	Years until exhaustion
OASI	Yes	No	36
DI	Yes	No	21
OASDI (combined)	Yes	No	35
HI	No	No	7

The SMI Trust Fund meets its test of actuarial soundness.

Based on the Trustees best estimates (alternative II)

The OASI Trust Fund is expected to be able to pay benefits for about the next 36 years while the DI fund will be exhausted in about 21 years. In view of the lack of actuarial balance in the OASDI program over the next 75 years, the Board believes that the long-range deficits in the OASI and DI programs should be addressed. Accordingly, the Board recommended last year that the 1995 Advisory Council on Social Security conduct an extensive review of Social Security financing issues and develop recommendations for achieving long-range financial stability for the OASDI program. The Council will submit its report later this year.

The HI Trust Fund will be able to pay benefits for only about 7 years and is severely out of actuarial balance over the next 75 years. Because of the magnitude of the projected actuarial deficit in the HI program and the high probability that the HI Trust Fund will be exhausted just after the turn of the century, the Trustees urge the Congress to take additional actions designed to control HI program costs and to address the projected financial imbalance in both the short range and the long range through specific program legislation as part of broad-based health care reform.

The SMI program, though actuarially sound, has experienced rapid growth in costs: program outlays have increased 53 percent in the last 5 years and grew 19 percent faster than the economy as a whole. Because this growth shows little sign of abating, the Trustees urge the Congress to take additional actions designed to more effectively control SMI costs through specific program legislation as part of broad-based health care reform.

A message from the public trustees

This is the fifth set of Trust Fund Reports on which we have reported as Public Trustees. It is also, under the terms of our appointment, our last report, and we use this occasion to summarize our views on some major aspects of the Social Security and Medicare programs. As representatives of the public, our efforts have been to assure the American public of the integrity of the process and the credibility of the information in these reports. We feel privileged and honored to have been able to take part in this important exercise in public accountability, and want to provide our best advice on directions for change of these important programs in the years ahead.

The Need For Action

During the past 5 years there has been a trend of deterioration in the long-range financial condition of the Social Security and Medicare programs and an acceleration in the projected dates of exhaustion in the related trust funds. To some extent, this has been predictable because when doing annual 75-year projections, an additional deficit year in the 2060s is being added with each new projection. But to some extent, the increasingly adverse projections have come from unforeseen events and from the absence of prompt action in response to clear warnings that changes are necessary. These adverse trends can be expected to continue and indicate the possibility of a future retirement crisis as the U.S. population begins to age rapidly. We urge that concerted action be taken promptly to address the critical public policy issues raised by the financing projections for these programs.

Projections As A Guide To Action

We believe it is important for the public and the Congress to understand more about what the projections in the Trust Fund Reports really mean and how they are intended to be used. These projections represent the best estimates the Trustees can make based on the best available information and methodologies. We have, during our period of service, attempted to test assumptions, question methodologies and work with the Offices of the Actuary of SSA and HCFA and others in and out of government to seek improvements in the projections. We have also stimulated thought through a symposium and publication of papers on how methods and assumptions might be improved to better estimate the future income and health care needs of the elderly and disabled. Action should be taken to continue and extend survey and other data development efforts and to improve modeling capability regarding the income and health circumstances of future retirees. Such information is critical to the legislative and regulatory activity that will be required for both public and private income security and health care programs in future years.

However, with even the best data and models, projections ultimately are only estimates and must necessarily reflect the uncertainties of the future. They are useful if understood as a guide to a plausible range of future results and if acted on in a timely and responsible manner. They are not helpful if ignored, or if used improperly, or if distorted. We hope that more policymakers will come to grips with the strengths and limitations of projections such as those in the Trust Fund Reports and how those projections can be used most productively.

Social Security Program

The Old-Age and Survivors Insurance Trust Fund shows a deficit of 1.87 percent of payroll in the long run. It is by far the best financed of the trust funds, and we believe strongly that the OASI program can and should be maintained over the long term. Yet even here reforms should be undertaken sooner rather than later to ease the transition to providing financial stability in the next century. We note the recent work of the Bipartisan Entitlement Commission and the current work of the Advisory Council on Social Security regarding the long-term financing of the OASI program. We hope that this kind of work will continue and that this problem will be addressed in a timely fashion.

The condition of the Disability Insurance Trust Fund is more troublesome. While the Congress acted this past year to restore its short-term financial balance, this necessary action should be viewed as only providing time and opportunity to design and implement substantive reforms that can lead to long-term financial stability. The research undertaken at the request of the Board of Trustees, and particularly of the Public Trustees, shows that there are serious design and administrative problems with the DI program. Changes in our society, the workforce and our economy suggest that adjustments in the program are needed to control long-range program costs. Also, incentives should be changed and the disability decision process improved in the interests of beneficiaries and taxpayers. We hope that this research will be completed promptly, fully presented to Congress and the public, and that the Congress will take action over the next few years to make this program financially stable over the long term.

Medicare Program

The most critical issues, however, relate to the Medicare program. Both the Hospital Insurance Trust Fund and the Supplementary Medical Insurance Trust Fund show alarming financial results. While the financial status of the HI program improved somewhat in 1994, the HI Trust Fund continues to be severely out of financial balance and is projected to be exhausted in about 7 years. The SMI Trust Fund, while in balance on an annual basis, shows a rate of growth of costs which is clearly unsustainable. Moreover, this fund is projected to be 75 percent or more financed by general revenues, so that given the general budget deficit problem, it is a major contributor to the larger fiscal problems of the nation.

The Medicare program is clearly unsustainable in its present form. We had hoped for several years that comprehensive health care reform would include meaningful Medicare reforms. However, with the results of the last Congress, it is now clear that Medicare reform needs to be addressed urgently as a distinct legislative initiative. We also believe strongly that Medicare reform should be included as an integral part of any broader health care reform initiative which may be considered in the future.

There are basic questions with the scale, structure and administration of the Medicare program that need to be addressed. For example, is it appropriate to have a Part A and Part B today, or should this legacy of the political process that enacted Medicare in the mid-1960s be revised to create a unified program? Is it appropriate to combine participants' social insurance tax contributions for Part A and premium payments for approximately one-quarter of Part B with general revenues? If so, what should be the proper combination of beneficiary premiums, taxpayer social insurance contributions, and general revenues? How are each of these kinds of revenue sources to be justified and what rights to benefits and responsibilities to pay benefits are thereby established? How can the program become more cost-effective? How can fraud, abuse and waste be better controlled?

We feel strongly that comprehensive Medicare reforms should be undertaken to make this program financially sound now and over the long term. The idea that reductions in Medicare expenditures should be available for other purposes, including even other health care purposes, is mistaken. The focus should be on making Medicare itself sustainable, making it compatible with OASDI, and making both Social Security and Medicare financially sound in the long term.

We strongly recommend that the crisis presented by the financial condition of the Medicare Trust Funds be urgently addressed on a comprehensive basis, including a review of the program's financing methods, benefit provisions, and delivery mechanisms. Various groups should be consulted and reform plans developed that will not be disruptive to beneficiaries, will be fair to current taxpayers who will in the future become beneficiaries, and will be compatible with government finances overall.

Institutional Considerations

We have as Public Trustees tried over the past 5 years to provide continuity and improve the institutional framework surrounding the Social Security and Medicare programs. We have bridged two Administrations (one Republican and one Democratic), two Advisory Councils (one appointed by a Republican Administration and one by a Democratic Administration), and many changes in the ex officio Trustees. We have consulted with each of the Advisory Councils, as well as the working group of the prior Public Trustees, the Bipartisan Entitlement Commission, the Notch Commission and many other government entities. We have testified before both the House Ways and Means Committee and the Senate Finance Committee and held regular briefings for Congressional staff on the Trust Fund Reports. We know that with the advent of the new Social Security Administration as an independent agency, many of the institutional relationships in these areas will change. We hope that the Public Trustees in the future will continue to make a contribution towards a coherent institutional structure that serves the interests of the public.

Finally, we note that although the statute provides that one of the Public Trustees must be from each of the major political parties, we have operated as independent professionals on a nonpartisan basis. Every statement we have made over 5 years has been joint and consensual, and without partisan content or political dissonance. We believe these programs are too important to be politicized and urge that a highly professional, nonpartisan approach continue to be followed in future reports to the Congress and the public.

STANFORD G. ROSS,
DAVID M. WALKER,
Trustees.

Mr. CRAIG. I yield whatever time there may be to the organizer of the special order.

The PRESIDING OFFICER. The Senator from Tennessee has 3 minutes remaining.

Mr. FRIST. Mr. President, in closing out our special order this morning, our message has been very simple: to strengthen and to simplify.

In our remaining 2 minutes, we will have a closing statement by the Senator from Maine. I yield to him for that purpose.

Mr. COHEN. Mr. President, last April the trustees of the Social Security and Medicare trust funds issued a stark warning that the trust fund that pays Medicare benefits will be bankrupt by 2002, and that ''the Medicare Program is clearly unsustainable in the present form.''

In his speech a few weeks later to the delegates at the White House Conference on Aging, President Clinton echoed the trustees' warning about the pending Medicare crisis, saying that he ''cannot support the status quo, and neither can you.''

The Medicare trustee's report sounds an alarm that we simply cannot afford to ignore. Medicare is on a collision course toward bankruptcy. The longer we wait to change this course or apply the brakes, the more certain we are to crash.

Mr. President, last week, the House minority leader, Mr. GEPHARDT, circulated a letter characterizing the pending Medicare crisis as ''more fiction than fact.'' Apparently, those who are dedicated to waging class warfare are prepared to resort to the tactic of treating fact as fiction. It is not a novel tactic, but ironically, one that is drawn from a novelist's nightmare vision of the future: Repeat a falsehood often enough and the people eventually will accept it as truth.

The truth is that the 1995 trustees' report paints a bleak picture for the future of Medicare. Next year, the trust fund will start paying out more in benefits than it gets in revenues from the payroll tax.

To quote Franklin Delano Roosevelt:

> Any government, like any family, can for a year spend a little more than it earns. But you and I know that a continuance of that habit means the poorhouse.

Right now, Medicare is on a sure path to the poorhouse. By 2002—less than 7 years from now—the Medicare trust fund will be totally bankrupt. By law, it will be unable to pay benefits, leaving 36 million of our most vulnerable Americans—the aged and disabled—without coverage to pay their hospital bills.

Politically, it would be easy to ignore the pending crisis and continue with business as usual. However, as Samuel Johnson once wrote:

> When a man knows he is to be hung in a fortnight, it concentrates his mind wonderfully.

Reforming Medicare is not about providing tax cuts, nor is it about balancing the budget. Even if the Federal budget were in balance, the Medicare trust fund would still be in jeopardy and the same reforms would be necessary to preserve and improve the program.

Let there be no mistake—Medicare needs reforming for Medicare's sake. Let us also be clear that no one is talking about cutting Medicare spending. Under the budget resolution passed last June, Medicare spending will continue to grow at an average rate of 6.4 percent over the next 7 years and will increase to $273.3 billion in 2002. That's $92.2 billion more than the $181.1 billion that will be spent in 1995.

So far most of the focus has been on resolving Medicare's short-term bankruptcy crisis. However, we cannot ignore the fact that Medicare's real problems begin in about 2010, when the baby boomers begin to retire, dramatically increasing the numbers of people eligible for Medicare and reducing the size of the work force.

The demographics of the next century are daunting. Today there are 33 million Americans 65 and over. But the aging of the baby boom generation will swell the number to 70 million by 2030, imposing new burdens and challenges for the Medicare and Social Security systems.

Today, it takes four workers to support a Medicare beneficiary. By the middle of the next century, there will only be two workers available to support each beneficiary, greatly increasing the amount each will have to pay in taxes to support the program. Medicare must therefore undergo significant structural changes if it is to survive to meet the health care needs of future retirees.

The ability to change is key to survival, and the fact is that the Medicare Program has changed very little in the 30 years since its creation.

While private health care systems have evolved over the years, Medicare has remained stagnant. We must find ways to make the program sensitive to the needs of older persons while at the same time making it more cost-effective.

Sixty-three percent of working Americans get their health care through some kind of managed care program. By contrast, only 90 percent of Medicare beneficiaries are enrolled in the kinds of managed care plans that have become a way of life for their children and grandchildren.

Most care continues to be provided on a fee-for-service basis, which offers no incentives for efficiency and, in fact, encourages higher costs and overutilization of services. As a consequence, Medicare costs are rising in excess of 10 percent a year, while private health spending is growing at less than half that rate.

There continues to be gaps in Medicare coverage. Medicare generally does not pay for preventive care and beneficiaries do not have access to benefits like prescription drugs that are routinely provided through private health plans. Many Medicare beneficiaries would gladly elect to trade their current fee-for-service coverage for a more coordinated system of care that gives them expanded coverage for prescription drugs and other benefits they currently do not enjoy.

Americans in the private health care system generally have some choice about the kind of health plan they are enrolled in. Most Medicare beneficiaries do not. Congress should consider giving Medicare beneficiaries a full range of choice of health care plans, with incentives for beneficiaries to choose cost-efficient coverage.

We should also consider allowing people to stay in their employer's health plan when they turn 65, even after they have retired. Medicare could reimburse employers for the cost of the premiums and perhaps provide a tax break as an additional incentive for them to continue coverage. This would not only allow Medicare beneficiaries to remain in a health plan they are comfortable with, but it would also keep them in a pool with younger, healthier people to lower the cost of their coverage.

And, finally, we must rid Medicare of the fraud and abuse that robs the program of as much as $18 billion a year. Medicare has become a prime target for opportunists who bilk the system by overbilling, unbundling services, and doublebilling. I have introduced legislation for the past 2 years to crack down on fraud and abuse, and it is time to pass these reforms.

There are no easy answers—either substantively or politically—to Medicare's financial problems in either the short or long term. If we are to summon the political will to overcome the current crisis and revitalize Medicare to meet the needs of the future generations, we must abandon the politics of fear and take up the politics of trust.

This should not be a partisan issue. Those who hold a fiduciary duty to oversee the Medicare system say that immediate action is necessary, and the President apparently agrees. Given the sheer magnitude of the financing shortfall, bipartisan cooperation is essential if we are to establish the kind of lasting reforms that will be necessary to keep the promise of Medicare for not just current but future generations.

Mr. REID addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

EXTENSION OF MORNING BUSINESS

Mr. REID. I ask unanimous consent that the time for morning business be extended so that the order would be that Senator DORGAN will speak 15 minutes, I will speak for 15 minutes, and Senator WELLSTONE will speak for 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from North Dakota is recognized.

MEDICARE

Mr. DORGAN. Mr. President, last week during debate on the defense authorization bill, I came to the floor to point out that someone on the Armed Services Committee had written into the bill a special little deal that no one had asked for. It was $60 million to buy blimps. Yes, blimps. Airbags. Airships. I asked the question, Who wrote this in? Who wants to buy blimps? Who decides that the *Hindenburg* is important for America's defense?

I did not find out who did it, but there were no hearings, no disclosure—they just wrote in $60 million to buy blimps. Now I discover that hot airbags are not limited necessarily to the Defense Department authorization bill.

I have listened this morning to a substantial amount of discussion about Medicare. I will tell you, some of it really surprises me.

Let me talk first about the issue of Medicare going broke. We were treated this morning to a half dozen folks who say: ''Did you know that Medicare is going to go bankrupt in 7 years? We Republicans called the Medicare trustees up to the Capitol for a special meeting because we were so concerned about their report.'' And the President is not concerned, they say. He does not care. ''But we are concerned, so we called the trustees up here to the Capitol and had a visit, because we Republicans care.'' I will bet you that I am safe in saying this is the only meeting of trustees the other side has ever had in this Capitol.

Well, here is a list of the trustees' reports for the last 15 years. Every single year since 1979, save two—in fact, 23 out of 25 years—the boards of trustees have sent a report to this Capitol and this Senate telling us when the Medicare system is going to run out of money.

In 1982, while Ronald Reagan was President, the trustees sent a report up to the Capitol that said in 1987 Medicare is going to be insolvent. In 1986, they sent up a report that said in 1996 it is going to be broke. The list goes on. That is in 23 out of 25 years.

Why have the Republicans invented this as a crisis when 23 out of 25 reports have described the time when Medicare is going to become insolvent? Every time this happens, Congress makes adjustments to make sure that Medicare will not go broke.

Why have the Republicans decided to invent this as a crisis? It is because the Republicans, under the guise of a budget they say will be balanced, also wanted to put up the center tent pole in this giant tent called the Contract With America. What is that center pole? It is a tax cut for their wealthy friends—a $245 billion tax cut, 80 percent of which will go to those taxpayers with incomes over $100,000 a year.

Now, how do you pay for a tax cut? How do you pay for a tax cut if you are up to your neck in debt and have all kinds of budget problems? You take a look at another big part of the Federal budget and say, let us cut that in order to make room for our tax cut. Ergo, they have proposed $270 billion in cuts to Medicare in order to accommodate a similar sized proposal to cut taxes, the bulk of which goes to the wealthiest Americans.

Those are the facts. There is no one in this body who does not want to make sure that Medicare exists for the long term. So to those who came out here this morning with a hot iron and ironing board trying to iron out the President on this issue because, somehow, the Democrats do not believe in Medicare, I say, just look at the record. The first time Medicare was on the floor of the Senate was in August 1960, and 97 percent of the Republicans voted against it. Democrats helped create Medicare, and I am proud of it. When we enacted Medicare, less than half of America's elderly had health insurance coverage. Now 97 percent do. I am proud of that.

Are there some problems with Medicare? Yes, there are. America is graying and getting older. Each month, over 200,000 more Americans become eligible for Medicare because they reach retirement age. That puts a strain on the system. So we have to continue to make adjustments to make Medicare solvent.

For people to come to this floor and suggest that somehow the Democrats are the problem and the Republicans are going to save Medicare, I am sorry, but this is just at odds with the facts. The fact is that Democrats helped create Medicare.

There is an old saying that ''the lion and the lamb might lay down together, but the lamb ain't going to get much sleep.'' I would observe, after what I heard this morning, that the Republicans and Medicare might lay down together as well, but I do not think Medicare is going to get much sleep either. The fact is, we must make Medicare solvent for the long-term, and we will. But we must not ever decide to go to the health care portion of the Federal budget and try to find massive Medicare savings that will result in higher Medicare costs for older Americans and reduced access to health care for senior citizens, in order to accommodate a big tax cut mostly for the wealthy.

Now, I know that those who are out here spinning this morning like a ball of yarn were accusing the other side of